

Summary:

Organizational Evaluation

Performance Measures

FY 2014-2015



The following summary includes highlights categorized by goal and does not encompass the full range of the agency's accomplishments during Fiscal Year 2014-2015 (FY 14-15). For a more detailed review, please refer to the *ORS Organizational Evaluation: Performance Measures FY 14-15*.

Mission: The ORS represents the public interest by balancing the concerns of the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina.

Goal: The ORS is responsive to the public.

- ◆ **Consumer Complaints and Inquiries.** Processed approximately **2,517** complaints and inquiries and saved customers approximately **\$224,376**. Three annually recurring savings are included in this total. They are as follows: \$102,972 (originating in FY 12-13) as the result of the ORS recovering this amount for a sewer customer; \$7,764 and \$19,522 (originating in FY 13-14) due to resolution of complaints for two sewer customers.
- ◆ **Consumer Advocacy.** Worked with consumers and utilities to recover funds due to erroneous charges, refunds of deposits, unauthorized charges, incorrect rates being charged, or disputes about charges. Assisted consumers who were challenged by winter heating and summer cooling costs by helping to establish favorable deposit terms, payment extensions, and payment arrangements with utilities. In some instances, many consumers are due refunds as the result of an error. For example, the ORS worked with a telecommunications provider to determine the amount of refund due to customers that were erroneously charged city tax over a period of time. Also, worked with a gas company to resolve a franchise fee issue affecting about 9,000 customers.
- ◆ **National Consumer Protection Week.** Sponsored several outreach activities during National Consumer Protection week in coordination with the S.C. Department of Consumer Affairs, the Lions Club, and the Richland County Library. The events were designed to educate consumers about their basic rights related to investor-owned utility companies.
- ◆ **Transportation Department Responsiveness to Complaints.** Responded to increasing number of complaints as consumers utilize new entrants into the Household Goods (HHG) carriers' market or HHG movers cut corners to meet high demand, up from 126 complaints in FY 13-14 to **227** in FY 14-15. The

expectation is that consumer complaints will stay steady or increase as more individuals move to South Carolina.

- ◆ **Consumer Education Materials.** Distributed to social-service and community-action agencies over **33,000** printed educational materials on a variety of consumer-education topics within the utility regulation field. Included in this total are approximately 1,200 copies of the S.C. Emergency Management Division's *Severe Winter Weather* resource guide that were distributed.
- ◆ **Inclement Weather and Emergency Management.** In February 2015, a winter storm and record-low temperatures threatened South Carolina and kept the ORS EMD (Emergency Management Division) team on alert. Fortunately, South Carolina was spared the brunt of the storm with minimal damages and outages reported, and power restoration occurred rapidly. Worked closely with investor-owned electric utilities (mostly Duke Energy for this storm), the electric cooperatives, the S.C. Emergency Management Division (EMD), the S.C. Association of Municipal Power Systems, and the Governor's Office in responding to power outages and restoring power as quickly as possible. In a second incident of inclement weather that month, record-low temperatures resulted in the electric IOUs and Santee Cooper breaking their all-time peak demand records. Coordinated with the electric suppliers to plan for the peak demand and to issue proactive communications to customers on how to conserve energy so that all the companies were able to meet the demand.
- ◆ **Emergency Management Division Hurricane Preparedness.** Participated and took a lead role in emergency preparedness events leading up to the Governor's full-scale hurricane exercise in May 2015. Continued to work with EMD, the S.C. Energy Office, the State Ports Authority, the U.S. Coast Guard, and industry representatives to develop a statewide vehicular fueling plan for evacuation routes.
- ◆ **Deposit Waiver for Domestic Violence Victims.** Benefited **13** individuals who were victims of domestic violence. This program resulted from an innovative agreement facilitated by the ORS with each of the investor-owned electric and gas utilities and women's shelters to waive the initial credit and deposit requirements for domestic violence victims. Since inception, the program has benefited **309** individuals.
- ◆ **Pipeline Safety.** The Pipeline Safety Department continued its record of excellence and collaboration. Shared best practices at conferences -- such as the Southern Gas Association, Carolina Public Gas Association, and the

National Association of Pipeline Safety Representatives (southern region) conferences. Participated in training required by the Pipeline and Hazardous Materials Safety Administration (PHMSA) as well as welding-inspector qualification training.

- ◆ **Pipeline Safety Safe Digging Month.** Promoted national *Call Before You Dig Month*. This campaign was designed to promote awareness of safe digging and damage prevention with regard to buried utility facilities, and Governor Haley issued a proclamation declaring April as *Safe Digging Month* in South Carolina.
- ◆ **Education for Water/Wastewater Utilities.** Co-hosted a Water and Wastewater Workshop with the PSC. Approximately 40 representatives of water/wastewater utilities were in attendance. ORS staff members were the speakers and provided valuable information to company representatives on trends in the water and wastewater regulatory arena as well as helpful tips on maintaining compliance.
- ◆ **Education for Transportation Carriers.** Hosted an educational forum for transportation carriers. Sixty representatives of approximately 50 HHG movers were in attendance. With the theme of *Change, Challenge, and Opportunity*, topics focused on best practices in the HHG industry. Very positive reviews by attendees may lead to holding the forum annually, rather than bi-annually as has been done in the past.
- ◆ **Rail Safety Education and Training.** Gained certification in Operation Lifesaver to give presentations to schoolchildren and other groups regarding safety at railroad crossings. The Operating Practices (OP) inspector attended two sessions of annual FRA recurrency training and, at the request of the FRA, trained an FRA employee in the OP discipline during a weeklong session. The Track inspector attended one recurrency training session as mandated by the FRA.
- ◆ **Community Meetings.** Attended community meetings and public hearings to gain consumer input on proposed utility rate increases and service issues.
- ◆ **Accessibility to Stakeholders.** Followed a policy of accessibility and responsiveness to all stakeholder groups. In FY 14-15, the ORS responded to 81 requests from state lawmakers and 167 requests from the media.

Goal: The ORS promotes excellence in each regulated industry.

- ◆ **Water/Wastewater Annual Report Compliance.** Achieved **96%** (down slightly from 100% last year) compliance in water/wastewater utilities' submission of annual reports. This slight drop was due to two utilities failing to comply with the requirement to submit their annual report. The ORS' initial effort included a formal mailing to all water and wastewater utilities informing them of the obligation to submit an annual report. The ORS followed up with an email and telephone call and is continuing in an effort to assist these two utilities to achieve annual-report compliance.
- ◆ **Water/Wastewater Performance Bond Compliance.** Achieved **98%** compliance level for water/wastewater companies complying with performance bond regulations. As in the prior FY, this percentage reflects one company's failure to provide a complete, updated financial statement. (This company provided the necessary statement; however, the information was not complete.) The ORS continues to work with this utility to achieve compliance with its performance bond.
- ◆ **Natural Gas Pipeline Safety.** Conducted DIMP (Distribution Integrity Management Program) inspections in several locations around the State and completed all **17** inspections before the federally mandated deadline of December 31, 2014.
- ◆ **Regulatory Reviews and Audits.** Conducted a total of **340** regulatory reviews and audits.
- ◆ **Consumer Services.** Conducted a total of **16** Customer Relations Compliance Reviews (CRCRs) of utility companies, down slightly from 18 the prior FY. The ORS focused on the CRCRs of larger utilities and, due to the complexity of those reviews, was not able to complete as many CRCRs during the fiscal year.
- ◆ **Transportation Inspections.** Conducted **5,523** vehicle inspections during the fiscal year. The vehicle inspections were down slightly due to fewer new motor carriers entering the passenger-carrier marketplace.
- ◆ **Household Goods Carriers Enforcement.** Increased personnel hours devoted to identifying unauthorized household goods (HHG) carriers advertising on the internet. This effort contributed to 1) an increase in advertising investigations from 42 in FY 13-14 to **66** in FY 14-15 and 2) an increase in the number of HHG companies seeking new applications or expansion of their scope of authority; this increase is reflected in the number of hearings, up from 10 in FY 13-14 to **24** in FY 14-15.

- ◆ **Transportation Compliance Audits and Education Efforts.** Conducted **239** compliance audits, both planned and random, around the State. As a result of a compliance audit with one HHG carrier, discovered approximately **\$33,000** in overcharges to customers and issued **5** citations for various violations. In educating carriers on compliance requirements, provided **1,561** technical assistance interactions with companies, up from 917 in the prior fiscal year.
- ◆ **Telecommunications Program Improvements.** Made improvements in Telecommunications and the SC Equipment Distribution Program (SCEDP). Developed streamlined annual reporting requirements for telecommunications carriers, which makes them more relevant and easier to comply with for the vast majority of companies. Also, improved the SCEDP outreach program and conducted outreach around the State.
- ◆ **Railroad safety.** Conducted both track and operating practices inspections around the State including Columbia, Charleston, Orangeburg, Bennettsville, Florence, Cayce, Abbeville, Aiken, Lancaster, Chester, Rock Hill, Belton, Spartanburg, Clinton, Sumter, Blacksburg, Dillon, Greenville, Lugoff, Georgetown, Enoree, Pickens, and Andrews, among others.
- ◆ **Rail Safety.** Issued **1,058** rail safety (Track and Operating disciplines combined) defect citations, compared to 1,297 in FY 13-14.
- ◆ **Rail Safety for Hazardous Materials.** Produced a summary of new FRA tank-car rules and an advisory bulletin regarding Hazardous Material response. Briefed county emergency managers and the State Emergency Response Committee regarding how to correctly respond to rail incidents involving hazardous materials. In light of derailments in the first half of 2015 involving either the actual release of hazardous materials or the potential for a hazardous release, the FRA issued the new rules and regulations regarding tank cars and emergency notification to first responders.

Goal: The ORS' operations provide value to the citizens of South Carolina.

Settlement Savings:

Settlements. During Fiscal Year (FY) 14-15, the ORS participated in 83 cases and facilitated **27** settlements and agreements. Total projected savings to consumers is approximately **\$46 million**. Below is a detailing of the approximately **\$46 million** in savings for FY 14-15.

Matters	Savings (\$)
Lockhart rate case	\$352,905
Palmetto Wastewater Reclamation, LLC	\$327,264
Duke Energy Carolinas (DEC) annual fuel	\$2,902,340
Piedmont Natural Gas (PNG) RSA	\$4,665,000
SCE&G BLRA	\$3,800,000
CUC, Inc.	\$300,692
SCE&G RSA	\$2,647,323
Chem Nuclear Systems	\$10,912
DSI non-settlement savings	\$714
SCE&G annual fuel	\$4,937,500
DSI rate case	\$99,687
Duke Energy Progress (DEP) annual fuel	\$9,528,094
SCE&G update/revision to capital cost-BLRA	\$15,000,000
DEC DSM/EE	\$157,977
SCE&G DSM/EE	\$1,250,000
CWS (Palmetto Est.) non-settlement savings	\$2,092
Total	\$45,982,500

A few notable cases are summarized below:

Duke Energy Carolinas (DEC) Annual Fuel Review (2014-3-E) The ORS reached a settlement with DEC which resulted in savings to DEC ratepayers of **\$2,902,340**. The agreement captured adjustments to reduce replacement power costs and carrying costs on excess coal inventory and to appropriately assign South Carolina's portion of the Company's settlement with a contractor.

ORS Petition to Establish Net Metering Methodology (2014-246-E) Subsequent to the signing of Act 236, the ORS requested (and was granted by the PSC) a generic proceeding to establish the net-metering methodology for use by the electric utilities. As encouraged by Act 236, the ORS retained a consulting firm, Energy and Environmental Economics, Inc. (E3), to assist the ORS and interested parties in a collaborative approach to establishing net metering methodology. The ORS and E3 sent a survey to the sixteen other intervenors in

the net metering proceeding requesting their feedback on items to include in the net metering methodology calculation. In addition, the ORS gathered data from the electric IOUs to be used when calculating potential benefits and costs of net metering. Stakeholder meetings were held, and the ORS served as the facilitator to resolve disputes and issues.

The 17 total intervening parties included the ORS, the electric IOUs, conservation groups, solar advocates and developers, industrial customers, and small businesses. Through an intensive collaborative effort among the ORS and all parties that spanned several weeks, a draft methodology proposal was developed, agreed upon, and signed by 14 of the 17 parties. The remaining three parties did not oppose the methodology. The settlement that was reached encourages renewable energy in South Carolina while honoring the intent of Act 236.

Lockhart Power Rate Case (2013-378-E) The Company originally requested an increase of \$1,203,215. In a settlement agreement with the ORS, Lockhart agreed to reduce its requested increase by 29% to \$850,310. This agreement resulted in savings for Lockhart's customers of **\$352,905**.

Piedmont Natural Gas (PNG) and SCE&G RSAs (2014-7-G and 2014-6-G) The Companies filed comments agreeing with the recommendations submitted in the ORS reports under the Rate Stabilization Act (RSA) for the two companies. Savings to customers resulting from the ORS recommendations equate to **\$4,665,000** for PNG and **\$2,647,323** for SCE&G.

SCE&G Annual Fuel Review (2015-2-E) A settlement was reached in the SCE&G annual fuel review that resulted in a reduction of the Company's originally forecasted fuel costs by **\$4,937,500** to reflect lower cost projections.

SCE&G DSM/EE (2015-45-E) The Electric Department filed its report on the SCE&G DSM-EE on April 1st. The ORS recommended a reduction of **\$1.25 million** to the projected DSM-EE expenses, and the Company filed a letter with the PSC agreeing with the ORS report. The Commission approved the recommendations included in the report.

Duke Energy Carolinas (DEC) DSM/EE (2015-89-E) As part of the ORS' annual review of the Duke Energy Carolinas DSM/EE rider application, the ORS identified a computational error, vendor expenses that were not allowable for ratemaking purposes, and a program cost revision. The combined total of adjustments that the ORS recommended resulted in a saving to ratepayers in the amount of **\$157,977**.

Duke Energy Progress (DEP) Annual Fuel Review (2015-1-E) In the Duke Energy Progress (DEP) annual fuel review, the ORS reduced DEP's request by approximately \$7.3 million to reflect the impact of DEP's purchase of capacity

from the North Carolina Electric Municipal Power Agency and approximately \$2.2 million to remove the cost of replacement power due to an outage at the Robinson 2 nuclear plant. Total adjustments of over **\$9.5 million** amount to a reduction of \$3.94 per month (from \$105.14 to \$101.20), which is 3.75% of an average residential bill using 1,000 kilowatt hours.

DEC, DEP, and SCE&G Distributed Energy Resource Programs (2015-55-E, 2015-53-E, 2015-54-E) In fulfilling the ORS' responsibilities arising from Act 236, or the Distributed Energy Resource (DER) Program Act, the ORS facilitated settlement agreements with the three major electric IOUs in developing their DER programs. These settlements were the result of intensive efforts that included many hours of negotiations, discussions, and meetings with all parties. Settlements were reached for the DER programs of Duke Energy Carolinas (DEC), Duke Energy Progress (DEP), and SCE&G. For the DEC and DEP settlement agreements, all parties signed except the Sierra Club who, while they did not sign, said they were not opposed to the settlement terms. For the SCE&G DER program, a settlement was filed on May 26, 2015. The Sierra Club, the Electric Cooperatives of SC, and Central Electric Cooperatives did not sign; however, all three stated they were not opposed to the settlement terms.

SCE&G BLRA Revised Rates Adjustment (2014-187-E) Savings of **\$3,800,000** resulted from the ORS' audit process that adjusted SCE&G's projected costs to actual costs.

SCE&G Update and Revision to Capital Cost-BLRA (2015-103-E) On March 12, 2015, SCE&G filed a petition seeking to increase its capital cost schedule and to amend the construction schedule for Units 2&3 at the VC Summer nuclear station. SCE&G sought to add approximately \$698 million to the 2007 budget (excluding inflation adjustments) and to extend the substantial completion dates to June 19, 2019 and June 16, 2020 for Units 2&3 respectively. Further, along with changes in escalation rates, this addition would increase the gross construction cost of the Units in current dollars from \$5.7 billion to \$6.8 billion for SCE&G's 55% share.

The ORS devoted a great deal of time and resources to this issue. Under the Base Load Review Act (BLRA), SCE&G is entitled to these modifications so long as the delays and cost increases are not the result of imprudence on the part of the Company. Based on the ORS' review, the ORS did not find a preponderance of evidence to suggest that imprudence on the part of SCE&G was the cause.

By Order No. 2009-104(A), the Commission established a return on equity of 11%, which is applicable for revised rates filings under the BLRA. This return on equity has been consistently used for each revised rates filing since issuance of the initial BLRA order in 2009. However, the ORS, the South Carolina Energy Users Committee, and SCE&G reached an agreement that beginning with any revised rates filing made on or after January 1, 2016, and prospectively

thereafter until such time as the Units are completed, SCE&G will develop and calculate its revised rates filings using 10.5% as the return on common equity, rather than the approved return on common equity of 11%. This agreement results in estimated savings of **\$15 million** for SCE&G ratepayers. In addition, it will decrease the Allowance for Funds Used During Construction rate which will lower capital costs, thus resulting in less depreciation and property tax expenses.

CUC, Inc. (2013-451-WS) In Water/Wastewater, the ORS facilitated a settlement in the CUC, Inc. rate case. Savings to customers as a result of the settlement are **\$300,692** annually.

Utilities, Inc. Consolidation (2014-399-WS) The ORS examined the request of Utilities, Inc. (UI) to consolidate its 4 operating subsidiaries -- Carolina Water Service, Inc., Utilities Service of South Carolina, Inc., United Utility Companies, Inc., and Southland Utilities, Inc. -- into a single entity, Carolina Water Service, Inc. The consolidation by UI involved approximately 16,700 water customers and 17,000 sewer customers. These customers are located in portions of Aiken, Anderson, Beaufort, Cherokee, Georgetown, Greenville, Lexington, Orangeburg, Richland, Saluda, Sumter, Union, Williamsburg, and York counties.

The hearing for the consolidation request of UI was held on April 23, 2015. The ORS presented testimony in this matter which was approved on May 14, 2015. Completion of the consolidation occurred on June 30, 2015 with the surviving entity, Carolina Water Service, Inc., providing notice of its compliance with various conditions of the order approving the consolidation.

CWS Palmetto Estates non-settlement savings The ORS discovered an overcharge by Carolina Water Service, Inc. (CWS) to sewer customers in Beaufort County (Palmetto Estates subdivision). CWS had failed to include all users in calculating the sewer treatment charge for the customers in this area for a portion of 2015. The adjustment resulted in customer savings of **\$2,092**.

Palmetto Wastewater Reclamation, LLC (2014-69-S) The ORS facilitated a settlement in the Palmetto Wastewater Reclamation, LLC rate case. Savings to customers as a result of the settlement are **\$327,264** annually. As part of the settlement agreement, restaurant drive-thru activity was excluded in the revenue computation.

Development Service, Inc. (2014-406-S) The ORS facilitated a settlement in the Development Service, Inc. rate case. Savings to customers as a result of the settlement are **\$99,687** annually. During the rate case audit review process, the ORS discovered that an unauthorized fee for certified notices sent to customers for service disconnection had been applied to certain customers. The utility agreed to credit/refund these unauthorized fees to the affected customers, which totaled **\$714**.

Request of ORS for Guidance from PSC Regarding Administration of USF (NDI-2013-6-C) The ORS sought guidance from the PSC regarding administration of the Universal Service Fund (USF). In its directive, the PSC responded that "...the Office of Regulatory Staff has done an excellent job of administering the Universal Service Fund as guided by the Commission's orders, and in this case, has through that experience and expertise, answered its own question...I move that we find that no further action needs to be taken on this issue, and that this non-docketed matter be closed."

SC Appellate Matters:

In the Matter of Joint Application of Duke Energy Carolinas (Appellate Case No. 2014-001514). The South Carolina Coastal Conservation League (CCL) and Southern Alliance for Clean Energy (SACE) appealed orders of the PSC which granted Duke Energy Carolinas, LLC and the North Carolina Electric Membership Corporation a Certificate of Environmental Compatibility and Public Convenience and Necessity to construct and operate a 750 megawatt (MW) combined-cycle natural-gas-fired generating plant near Anderson, South Carolina. Briefing of this appeal has been completed, and the parties await scheduling of oral arguments before the Court.

Arch Enterprises v. Palmetto Wastewater Reclamation (Appellate Case No. 2014-001278) and Sensor Enterprises v. Palmetto Utilities (Appellate Case No. 2013-002492). The ORS worked with the parties to resolve through settlements these two cases, which were appealed to the SC Supreme Court from orders of the PSC. The issues in these cases involved the utility rates which were established. In a separate proceeding before the PSC, the ORS and the parties worked to design a new rate schedule which -- when applied to these appeals -- settled the issues on appeal. With leave of the Supreme Court, the parties presented the settlement to the PSC which approved the settlement of the parties.

SC Cable Television Association v. SC Telephone Coalition (Appellate Case No. 2014-001962). The South Carolina Cable Television Association appealed orders of the PSC denying the SCCTA's motion to reduce state Universal Service Fund payments for certain local exchange carriers. The appeal is presently stayed at the Supreme Court. Legislation was introduced during the 2015 legislative session which would, among other things, resolve the issues in the appeal.

Economic Development:

- ◆ The settlement of cases benefits all parties involved, and the process of settlement used in South Carolina and facilitated by the ORS has been cited as a model for other states. **Since its inception, the ORS has facilitated a total of 430 settlements and agreements with monetary savings of over \$1.6 billion.**

As noted by many economists and professional analysts, settled cases often result in a better rating of a state's regulatory environment. Better ratings encourage investment in South Carolina's utilities, thus furthering **economic development**. The ORS has been lauded for its ability to facilitate settlement agreements that strike an equitable balance between the interests of **consumers** and **regulated utilities**.

- ◆ **Economic and Regulatory Outreach.** During FY 14-15, the Executive Director briefed representatives of national investment firms, research groups, and trade publications on issues of interest to them in South Carolina, including the State's regulatory environment, the V.C. Summer nuclear construction, and the potential of solar energy in South Carolina, among others.
- ◆ **Industry Recruitment and Retention.** Provided 59 comment letters regarding requests by electric and gas utilities for various financing options, special purchases, tariff modifications, or industrial incentives, which generally aid in the recruitment of new industry, retention of existing industry, and the financial health of South Carolina. Several of these letters directly pertained to economic development in the State. Examples of major economic incentives supported include:
 - Two new electric contracts (and amendments to existing ones) between SCE&G and Boeing. Boeing announced in 2013 an expansion program in North Charleston involving a 737 Max Propulsion plant and a Boeing Research and Technology facility. Boeing anticipates investing **\$1 billion** and creating **2,000 jobs** over the next decade.
 - An electric contract between SCE&G and Green Link Wood Industries, Inc., a hardwood veneer manufacturer in Bamberg County. The Company is a supplier to nationally known flooring retailers and expects the approximately **\$1.2 million** planned investment to create **44 jobs**.
- ◆ **SCE&G's V.C. Summer Units 2&3.** As mandated by the Base Load Review Act (BLRA), the ORS continued its oversight of the *construction progress* and *costs* associated with SCE&G's V.C. Summer Units 2&3.

Nuclear construction at VC Summer continues to make progress, with 40 of the 146 BLRA milestones remaining at the time of this writing.

As of the end of CY 2014, SCE&G had spent approximately \$2.8 billion on this project. The cumulative amount projected to be spent by December 31, 2015 is \$3.7 billion. At present, the construction of these two nuclear units is creating approximately 4,100 jobs. In addition, it is forecasted that approximately 800 permanent jobs will be added when the Units begin generating electricity.

In its 2015 BLRA nuclear update filing (2015-103-E) submitted in March of 2015, SCE&G sought to increase its capital cost schedule and to amend the construction schedule for Units 2&3 at the VC Summer nuclear station. SCE&G sought to add approximately \$698 million to the 2007 budget excluding inflation adjustments and to extend the substantial completion dates to June 19, 2019 and June 16, 2020 for Units 2&3 respectively. Further, along with changes in escalation rates, this addition will increase the gross construction cost of the Units in current dollars from \$5.7 billion to \$6.8 billion for SCE&G's 55% share.

The ORS devoted a great deal of time and resources to this issue. Under the BLRA, SCE&G is entitled to these modifications so long as the delays and cost increases are not the result of imprudence on the part of the Company. Based on the ORS' review, the ORS did not find a preponderance of evidence to suggest that imprudence on the part of SCE&G was the cause. Approximately 77% of the request, or \$539 million, was due to delay and other contested costs. The additional costs are primarily the result of a delay in fabricating sub-modules by Chicago Bridge & Iron at its Lake Charles, Louisiana facility.

The ORS analyzed this matter in line with its mission of representing the public interest as it is defined in Act 175 – i.e., balancing the interests of the consumer, economic development, and the financial integrity of public utilities. For the latter, maintaining financial integrity is crucial so that a utility can raise the necessary capital to invest in and maintain the infrastructure required to provide adequate and reliable service. Also, as of now with today's technology, nuclear is the single greatest carbon-mitigation energy resource available.

Goal: The ORS is alert and anticipates state and federal regulatory and industry developments and their effects on South Carolina.

Monitored and took action when necessary in federal and state regulatory and marketplace developments -- on behalf of the balanced concerns of the public interest -- to include the following:

- ◆ **Energy Efficiency.** Continued to work with stakeholders in developing the best future for South Carolina in terms of its energy needs and economic development. This effort included collaborating with the S.C. Energy Office, investor-owned electric utilities, the electric cooperatives, the Energy Advisory Council of the State Regulation of Public Utilities Review Committee, the Small Business Chamber of Commerce, the S.C. Energy Stakeholder Workgroup, the SCE&G Energy Efficiency Advisory Group, the Duke Energy Progress (DEP) DSM Collaborative, Palmetto Clean Energy (PaCE), and conservationist groups, among others.
- ◆ **Act 236 – Net Metering and DER Programs.** Continued to fulfill our responsibilities arising from Act 236, or the Distributed Energy Resource (DER) Program Act. Achieved a settlement in establishing the net metering methodology and then achieved 3 additional settlements in establishing DER programs for the 3 major electric IOUs (See *Notable Cases* section of this report for details). With the passage of Act 236, the ORS has additional responsibilities for the review of DER costs in each IOU's annual fuel review. Also as a result of Act 236, it is anticipated that the utilities will file revised interconnection standards in 2015. In addition, the ORS is gathering data in preparation for upcoming reports required by Act 236, including a cost-shifting report that is due December 31, 2015.
- ◆ **Act 236 – Solar Leasing.** Continued to establish the groundwork to administer the third-party solar leasing program. At the time of this writing, leasing application and filing instructions are in the final review process. The ORS has developed a webpage to host the leasing application and other resources for consumers. A solar leasing company will be required to register with the ORS every facility installation within 30 days of completion. The ORS continues to develop the facility registry as required by Act 236.
- ◆ **Comments on EPA's Clean Power Plan (Proposed Rule EPA-HQ-OAR-2013-0602).** The ORS engaged in a year-long effort with the DHEC Bureau of Air Quality Stakeholders Group (including representatives of DHEC, conservationist groups, and utilities) to anticipate and examine issues related to the EPA's Clean Power Plan, also known as Proposed Rule 111(d). Issued on June 2, 2014, the Proposed Rule pertains to the reduction of greenhouse-gas emissions from existing fossil-fuel-fired generating units. It has been

estimated that the Rule, as proposed, could cause substantial increases in the rates and bills for electricity in South Carolina with the potential to also adversely affect the reliability of electric service. The ORS prepared comments and contributed to others' comments, all of which were filed in December 2014. These comments recommended several modifications to the Proposed Rule that would make it more workable for South Carolina. While the EPA had indicated that the Final Rule would be published by the end of June 2015, it has yet to be published.

- ◆ **Rasier, LLC (Uber).** Issued a permit to Rasier, LLC – a wholly owned subsidiary of Uber Technologies, Inc. – to operate as a Transportation Network Company (TNC) in South Carolina. This issuance was made possible by new legislation (H.3525) that creates a permanent regulatory framework for TNCs in South Carolina. The ORS was engaged in a more-than-yearlong effort of working with Rasier and its legal representatives, the Governor's Office, the PSC, the S.C. Department of Insurance, the transportation industry in South Carolina, concerned consumers, legislators, the media, and other stakeholders as this process evolved.
- ◆ **Telecommunications – Rollout of new 854 area code.** Continued the process that began in FY 13-14 to roll out a new 854 area code within the 843 area code region. At the time of this writing, the 854 area-code overlay is in the optional 10-digit dialing phase, which began in March of 2015. Mandatory 10-digit dialing will begin in September of 2015. Conducted interviews with media outlets concerning the change and developed FAQs on ORS web site.
- ◆ **NC WARN Complaint (FERC Docket No. EL15-32-000).** NC WARN, a conservationist activist group based in North Carolina, filed a complaint with the FERC alleging excess capacity in the Southeast. A courtesy copy of the filing was sent to the PSC, thus prompting them to require all South Carolina electric IOUs (including Lockhart Power) to file a response by February 9, 2015. All have done so, with the consensus being that South Carolina is not the proper jurisdiction for the issues put forth by NC WARN in its FERC filing. The ORS filed with the FERC a motion to intervene in the proceeding and, by an order issued on April 30, 2015, the FERC denied NC WARN's complaint. NC WARN filed a Motion for Reconsideration in May 2015, and that Motion is pending at the FERC.
- ◆ **Atlantic Coast Pipeline Project and Supply Header Project (FERC Dockets No. PF15-6-000 and PF15-5-000).** The ORS is monitoring these dockets that were established at the FERC when Atlantic Coast Pipeline, LLC (a joint venture consisting of subsidiaries of Dominion Resources, Duke Energy, Piedmont Natural Gas, and AGL Resources) filed a Request to Initiate the Pre-Filing process for the Atlantic Coast Pipeline Project and the Supply Header Project. These projects involve the possible construction and operations of approximately 554 miles of natural-gas transmission pipeline

and associated above-ground facilities in West Virginia, Virginia, and North Carolina. The dockets are in the preliminary phase and have not reached a point where intervention has been noticed.

- ◆ **Best Practices.** Attended industry-specific workshops and meetings both regionally and on the national level to discuss trends and emerging issues that could affect South Carolina's utility customers.

Goal: The ORS' operations are marked by professional excellence.

- ◆ **Third-Party Audit of Universal Service Fund.** Received an unqualified opinion report with no deficiencies in internal controls identified in the third-party audit of the Universal Service Fund for Calendar Year 2014.
- ◆ **Transition of Energy Office.** Established an ORS Energy Office Transition Team to identify the most effective ways to create the Energy Office within the ORS, as mandated by restructuring legislation, to be effective on July 1, 2015. Coordinated both the physical move of the Energy Office, which was completed in March of 2015, as well as the administrative and budgetary transition. All Energy Office contracts and processes were analyzed, and the ORS FY 15-16 budget was developed to include the Energy Office.
- ◆ **Budget.** Continued to monitor expenses on a regular basis. Achieved cost savings by holding vacancies open for longer periods and filling them at lower salaries while still recruiting high-caliber employees.
- ◆ **Cyber Security.** Developed and implemented plans, processes, and procedures to address cyber security protection. Participated in monthly meetings, focus groups, and training led by the S.C. Division of Information Security and the S.C. Division of Technology.
- ◆ **Annual Staff Development.** Continued staff development and training for the delivery of outstanding services and a deeper understanding of the regulatory environment and regulated utility industries. Also, fostered the commitment to education and career development through classes, seminars, conferences, site visits, and special meetings.
- ◆ **Ethics.** Provided 6 hours of annual ethics training for all ORS employees.
- ◆ **Agency Staffing.** Assessed duties and responsibilities of staff. Restructured areas of the agency and reorganized responsibilities of certain staff to address current needs.
- ◆ **Workforce Planning.** Continued to assess staff work functions and evaluate long-term needs of the agency; reorganized certain staff to optimally address the agency's major programmatic needs.
- ◆ **Collaboration.** Worked collaboratively with federal, state, and local agencies and organizations to further the mission of the ORS. Coordination of services among these organizations has been a priority to effectively meet the

mandates of Act 175 and to efficiently utilize funding provided by utilities and, ultimately, the consumers.

State and local agencies and organizations include, but are not limited to, the following:

- Governor's Office
- S.C. General Assembly
- State Regulation of Public Utilities Review Committee (PURC)
- S.C. Public Service Commission
- S.C. Emergency Management Division
- S.C. Budget and Control Board – Energy Office
- S.C. Budget and Control Board -- Division of State Information Technology
- S.C. Business One Stop (SCBOS)
- S.C. Council on Aging
- S.C. Department of Health and Environmental Control
- S.C. Department of Social Services
- S.C. Department of Health and Human Services
- S.C. Highway Patrol
- S.C. Insurance Reserve Fund
- S.C. Department of Insurance
- S.C. Interagency Transportation Coordination Council
- S.C. Department of Parks, Recreation, and Tourism
- S.C. Department of Natural Resources
- S.C. Department of Commerce
- S.C. Department of Revenue
- S.C. Tariff Bureau
- S.C. Department of Transportation
- Santee Cooper
- State Climatology Office
- SC-ETV
- Fleet Management
- State Transport Police
- S.C. Energy Users Committee
- Carolinas Collaborative
- S.C. Solar Council
- S.C. Telephone Association
- S.C. Truckers Association
- S.C. Association of Municipal Power Systems
- Electric Cooperatives of S.C.
- Richland County
- City of Cayce
- City of Greenville
- City of Columbia
- Community Action Agencies
- Community Development Corporation

- Common Ground Alliance
- Medical Transportation Advisory Committee
- Midlands Regional Transit Authority
- Midlands Utility Coordinating Committee (gas pipeline)
- Operation Lifesaver
- Harvest Hope Food Bank
- S.C. Association of School Social Workers
- S.C. Benefit Bank
- Sistercare, Inc.
- Palmetto Clean Energy (PaCE)
- Pee Dee Coalition Against Domestic Violence
- Safe Harbor, Inc.
- Business Licensing Officials Association
- S.C. Biomass Council
- S.C. Businesses for Clean Energy
- S.C. Municipal Association
- S.C. Regional Transmission Planning Stakeholder Group
- SCE&G DSM/EE Advisory Council
- S.C. Small Business Chamber of Commerce
- S.C. Appleseed Legal Justice Center
- Society of Utility and Regulatory Financial Analysts (SURFA)
- Southern Environmental Law Center
- University of South Carolina (i.e., Clean Energy and Jobs Forum)
- Transportation Association of South Carolina
- Telephone Relay System Advisory Committee
- Telephone Equipment Distribution Program Advisory Committee
- S.C. School for the Deaf and Blind
- State ETC Coordinating Group
- S.C. Office of Rural Health
- Coastal Conservation League
- Southern Environmental Law Center
- Conservation Voters of South Carolina

Regulatory organizations, federal agencies, and related groups include:

- National Association of Regulatory Utility Commissioners (NARUC)
- Southeastern Association of Regulatory Utility Commissioners (SEARUC)
- Eastern Interconnection States Planning Council (EISPC)
- National Regulatory Research Institute (NRRI)
- Federal Energy Regulatory Commission (FERC)
- Commodity Futures Trading Commission (CFTC)
- Nuclear Regulatory Commission (NRC)
- Federal Communications Commission (FCC)
- Surface Transportation Board (STB)
- Pipeline and Hazardous Materials Safety Administration (U.S. DOT)
- Federal Railroad Administration (FRA)

- Federal Motor Carrier Safety Administration
- Universal Service Administrative Company (USAC)
- U.S. Congress
- U.S. General Accounting Office (GAO)
- U.S. Department of Energy
- U.S. Environmental Protection Agency
- U.S. Department of Defense – Department of the Navy
- Atlantic Compact Commission
- American Council for an Energy Efficient Economy (ACEEE)
- Consumers for Rail Equity (CURE)
- Gas Technology Institute
- Coal Institute
- Association of Energy Engineers
- Oklahoma Utility Coordinating Committee
- Southeastern Association of Telecommunications Officers and Advisors
- National Association of Pipeline Safety Representatives